

## Message Text

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PAGE 01 BANGKO 19128 01 OF 02 061129Z

ACTION EA-12

INFO OCT-01 ISO-00 NEA-10 SP-02 ICA-11 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 L-03 H-01 PA-01 /106 W  
-----030313 061155Z /41

R 051000Z JUL 78

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7235

INFO AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 BANGKOK 19128

EO 11652: NA

TAGS: EC

SUBJ: ADBO PROCUREMENT, UNTYING OF JAPANESE AID

REF BANGKOK 18660

SUMMARY: EMBOFF MET WITH OFFICIAL OF NATIONAL ECONOMIC  
AND SOCIAL DEVELOPMENT BOARD (NESDB) RE PROCUREMENT UTILIZING  
ADB FINANCED LOANS. PROBLEM AREAS FOR US COMPANIES INCLUDE  
EARLY WARNING FROM ADB HDQS, STRINGENT ADB PROCUREMENT PRO-  
CEDURES, PROBLEMS WITH HIGH MAINTENANCE STANDARDS FOR US MADE  
EQUIPMENT AND INSTITUTIONAL ADB PREJUDICE IN FAVOR OF ASIAN  
SUPPLIERS. OFFICIAL CONTENDED IT WAS BECOMING INCREASINGLY  
NECESSARY FOR US FIRMS TO HAVE LOCAL PARTNERS. END SUMMARY

1. FUNDAMENTAL PROBLEM IS SUFFICIENT TIME TO WORK UP PROJECT  
PROPOSALS. WHEN A PROJECT IS ANNOUNCED, THE DUE DATE FOR OFFERS  
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PAGE 02 BANGKO 19128 01 OF 02 061129Z

LEAVES INSUFFICIENT TIME FOR MANY FIRMS TO DRAW UP SUITABLE  
PROPOSALS. IN CONTRAST TO THW WORLD BANK, WHICH WIDELY  
ADVERTISES ITS PROJECTS, THE ADB GENERALLY LEAVES IT UP  
TO THE PROCURING AGENCY TO ADVERTISE FOR BIDS. THUS, UNLESS  
A COMPANY HAS EARLY ACCESS TO INFO ON A PROJECT EITHER FROM  
THE PROCURING AGENCY OR THE ADB HDQS, IT IS HANDICAPPED FROM  
THE START.

2. PROCURING AGENCIES TEND TO REPLY ON "ADB APPROVED LISTS,"  
WHCIH FAVOR ASIAN FIRMS.

3 ADB PROCUREMENT PROCEDURES REQUIRE THAT BIDDERS SUBMIT  
ONLY THEIR TECHNICAL PROPOSALS AT THE BEGINNING. THIS THE  
RTG OFFICIAL DECLARED, LEAVES ROOM FOR "ASIAN STYLE  
NEGOTIATIONS. (IN THEORY THIS SHOULD FAVOR TECHNOLOGICALLY  
ADVANCED US FIRMS SINCE IT COULD BE CHOSEN FOR THE QUALITY  
OF ITS PROPOSAL DESPITE A HIGHER PRICE BUT IN PRACTICE  
"PERSONAL RAPPORT" PLAYS A MORE SIGNIFICANT ROLE.)

4. SOURCE CITED PROCUREMENT POLICY OF HIS OWN GOVT (BASED  
ON A CABINET RESOLUTION) THAT GIVES PREFERENCES TO THAI FIRMS  
AND PREFERENCE TO THOSE FIRMS EITHER 50 PERCENT THAI OWNED OR  
THOSE HAVING AT LEAST 40 PERCENT THAI PERSONNEL. THE OFFICIAL  
OPINED THAT AS A PRACTICAL MATTER THE HIGHER THE PERCENTANGE  
OF THAI PROFESSIONAL AND SKILLED LABOR A FIRM USES THE  
BETTER IT IS ABLE TO COMPETE FOR A LOCAL CONTRACT IN TERMS  
OF PRICE.

5. OFFICAIL EXPALINED THAT ALTHOUGH JAPANESE EXIM BANK LOANS  
REMAIN CLOSELY TIED TO JAPANESE SOURCING, JAPANESE OVERSEAS  
ECONOMIC OOPERATION FUND LOANS WERE NOW COMPLETELY UNTIED.  
HE CITED AS EXAMPLE RECENT AWARD OF A MAJOR BRIDGE CONSTRUCTION  
PROJECT IN BANGKOK. A JOINT VENTURE ITALIAN-THAI COMPANY  
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PAGE 03 BANGKO 19128 01 OF 02 061129Z

WON DESPITE VERY STIFF COMPETITION FROM A JAPANESE COMPANY.

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PAGE 01 BANGKO 19128 02 OF 02 061135Z  
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-----030346 061158Z /41

R 051007Z JUL 78  
FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7236  
INFO AMCONSUL HONG KONG  
AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR  
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LIMITED OFFICIAL USE SECTION 2 OF 2 BANGKOK 19128

6. ALTHOUGH DOLLAR DECPRECIATION MAY BE MAKING US HARD-WARE MORE COMPETITIVE, FOREIGN COMPETITION CAN STILL COMPETE WITH US PRODUCTS ON MAINTENANCE AND OPERATING COSTS ROUNDS. SOURCE CITED CURRENT CONSIDERATIONS FOR NON ADB PROCUREMENT OF LOCOMOTIVES FOR THAI RAILWAY SYSTEM. THE THREE MOST COMPETITIVE OFFERS CAMBE FROM MITSUBISHI OF JAPAN, ALTRONS OF FRANCE AND GE. MITSUBISHI WAS THE FIRST ELIMINATED BECAUSE OF THE PRICE. THE BASIC GE PRICE PER UNIT WAS BETTER THAN THE FRENCH OFFER AND IT WAS RECOGNIZED THAT THE GE EQUIPMENT WAS QUALITATIVELY SUPERIOR. THAI STUDIES NONETHELESS SHOWED THAT IT COST ABOUT HALF AS MUCH TO MAINTAIN THE FRENCH EQUIPMENT AT FRENCH STANDARDS AS THE AMERICAN EQUIPMENT AT AMERICAN STANDARDS OVER A TEN YEAR PERIOD. HENCE THEY HAD TO CHOSE THE ALTRONS EQUIPMENT DUE TO STRICT BUDGETING LIMITATIONS. (A KNOWLEDGEABLE SOURCE DISPUTES THIS REASONING. HE UNDERSTANDS THE LIBERAL FRENCH FINANCIAL PACKAGE WAS THE DECIDING FACTOR COUPLED WITH FACT THAT THAI ARE ALREADY LIMITED OFFICIAL USE

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PAGE 02 BANGKO 19128 02 OF 02 061135Z

USING FRENCH EQUIPMENT.)

7. IN SUM OFFICIAL DID NOT SEE MUCH HOPE OF SUCCESS FOR US FIRMS BIDDING ON INTERNATIONALLY FUNDED PROJECTS. HE FELT US FIRMS COULD COMPETE ONLY IN THOSE AREAS WHERE OUR HIGH TECHNOLOGY REMAINED UNCHALLENGED. HE CITED THE GAS PIPELINE AND GAS TURBINES FOR THE EGAT AS AREAS WHERE US EQUIPMENT WOULD HAVE AN EDGE ON TECHNICAL GROUNDS. UNLESS US FIRMS CAME UP WITH THE TECHNOLOGICAL BREAKTHROUGHS THAT WERE AT ONCE MUCH MORE PFOFICIENT AND LESS EXPENSIVE, US COMPANIES CAN HARDLY HOPE TO DISLODGE THE JAPANESE, FOR EXAMPLE, FROM THEIE ENTRENCHED POSITIONS IN THE LOCAL COMMUNICATIONS AND ELECTRONIC POWER TRANSMISSION SYSTEMS. THE JAPANESE ARE IN ON THE GROUND FLOOR AND NOW THE THAI HAVE TO THINK IN TERMS OF EQUIPMENT COMPATABILITY WITH EXISTING JAPANESE EQUIPMENT. US FIRMS COULD NOT NOW HOPE TO SELL EQUIPMENT THAT WAS ONLY MARGINALLY BETTER AT A SOMEWHAT LESS EXPENSIVE PRICE.

8. CLEARLY THIS MARKET CANNOT BE CONSIDERED AN EXTENSION OF THE US OR EVEN THE EUROPEAN MARKETS. INTERESTED US FIRMS

MUST INCREASINGLY ADAPT AN "ASIAN OUTLOOK" AND EVEN IDENTITY  
TO REMAIN IN THE COMPETITION FOR INTERNATIONALLY FUNDED PRO-  
JECTS IN SEA, THE THAI OFFICIAL CONCLUDED.  
O'DONOHUE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Original Handling Restrictions:** n/a  
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**Type:** TE  
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